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SUBJECT: JORDAN 2010 INVESTMENT CLIMATE STATEMENT: OPENNESS TO FOREIGN INVESTMENT

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OPENNESS TO FOREIGN INVESTMENT

¶1. In the ten years since King Abdullah ascended to the throne, Jordan has taken several steps to encourage foreign investment and realize the vision of transforming Jordan into an outward-oriented, market-based economy competitive in the global marketplace. Key reforms have been undertaken in the banking, information technology, pharmaceuticals, tourism, and services sectors. Foreign and domestic investment laws grant specific incentives to industry; agriculture; tourism; hospitals; transportation; and energy and water distribution. The laws also allow the cabinet flexibility in offering investment incentives to other sectors.

¶2. Jordan acceded to the World Trade Organization (WTO) in April ¶2000. In addition, a U.S.-Jordan Free Trade Area Agreement (FTA) entered into force on December 17, 2001. Investment promotion activities have been consolidated under the Jordan Investment Board (JIB), which provides a "one-stop shop" for investors. A new investment promotion law stalled in the parliament during 2009 but is expected to be resubmitted once a new parliament is elected. Jordan is still conducting negotiations on a WTO Government Procurement Agreement and is conducting interagency consultations with the aim to try to conclude an agreement in 2010. Jordan's current investment laws treat foreign and local investors equally, with the following exceptions:

-- Under the terms of the FTA, ownership of periodical publications is restricted to Jordanian natural persons or Jordanian juridical entities wholly-owned by Jordanians.

-- Foreign investors may not have whole or partial ownership of investigation and security services, sports clubs (except for health clubs), stone quarrying for construction purposes, customs clearance services, or land transportation services including buses or taxis. However, the Cabinet may decide to approve projects in such categories upon the recommendations of the Investment Promotion Committee. The Committee includes senior officials from the Ministry of Industry and Trade, Income Tax Department, Customs Department, the private sector, and the Director General of the Jordan Investment Board. To qualify for exemptions, projects have to be highly valuable to the national economy and recruit a large number of Jordanians. The Prime Ministry deals with such exceptional cases and provides exemptions accordingly.

-- Under the FTA, foreign investors are limited to 50 percent ownership in printing/publishing companies and in aircraft or maritime vessel maintenance and repair services. Also under the FTA, foreign investors are limited to 50 percent ownership in a number of businesses and services. The most up-to-date listing of limitations on investments is available in the FTA Annex 3.1 and may

be found at the following internet address: http://www.ustr.gov/Trade_Agreements/Bilatera l/ Jordan/Section_Index.html.

-- A minimum capital requirement of JD 50,000 (USD $70,000) is set for foreign investors. This requirement was lowered for Jordanian businesses in 2008 to JD 1,000 (USD $1,400). This requirement does not apply to participation in public shareholding companies.

¶3. Local and foreign investments are screened by JIB's Incentives Committee. In addition, investors in large projects find that the informal approval of local and central government officials helps to ensure governmental cooperation in project implementation.

¶4. Jordanian law stipulates that expropriation is prohibited unless deemed in the public interest. It provides for fair compensation to the investor in convertible currency.

¶5. The government has engaged in an extensive privatization program since 1999, with ongoing achievements in recent years in energy and aviation. By 2008, the majority of Jordan's energy sector had been privatized including two distribution companies - Electricity Distribution Company (EDCO) and the Irbid District Electricity Company (IDECO) - and one generation company, the Central Electricity Generating Company (CEGCO). The privatization of a second generation company, Samra Power Plant (SEPGCO), remains in progress. The Amman East Power Plant was built and is owned and operated by AES Jordan PSC, a consortium of AES Oasis (a subsidiary of U.S.-based AES Corporation) and Japan-based Mitsui and Co. AES Jordan PSC will operate the plant on a build-own-operate (BOO) basis for 25 years. The plant project, worth $300 million, was financed jointly by the U.S. Overseas Private Investment Corporation (OPIC), Japan Bank of International Cooperation (JBIC), and the Sumitomo Banking Corporation (SMBC), with International Bank for

Reconstruction and Development (IBRD) risk guarantees.

¶6. In early 2008, the Government of Jordan concluded the initial public offering of national air carrier Royal Jordanian. Concurrent with this privatization, the role of the regulatory body, the Jordan Civil Aviation Regulatory Commission, continues to evolve with greater separation between regulation and aviation management. Related to this regulatory change, management of Amman's Queen Alia International Airport was fully transferred to a private company and the build-operate-transfer (BOT) airport expansion is well underway.

¶7. The number and size of future privatization projects, however, is expected to shrink as most government assets have already been privatized, with the small number of remaining assets, such as Jordan Silos and Supply, eliciting little private sector interest. The majority of future projects are expected to be public-private partnerships (PPP) rather than pure privatization deals and the government has changed the mandate of its privatization commission to focus on partnerships.

¶8. The Executive Privatization Commission recently initiated a medical and industrial waste project. Among the projects still seeking investors are passenger and cargo rail, the postal system, and the nation's refinery. The 50-year concession to the Jordan Petroleum Refinery Company ended in March 2008, and the government has drafted a new energy law, which is still pending, to open up the hydrocarbon sector for local and foreign investors. This restructuring will involve unbundling the distribution and storage facilities and creating several new companies. The cabinet decided in late 2009 to halt all actions pertaining to the refinery expansion project, the concession agreement, and the naming of a strategic partner. A ministerial committee is currently reviewing all aspects of the refinery expansion and is expected to submit its report to the Prime Minister before the end of January 2010. Some U.S. companies have expressed frustration with a lack of transparency, unexpected delays, and changing requirements during the tendering process of several large energy PPP projects.

¶9. With respect to ownership and participation in the major economic sectors in Jordan, there is no apparent discrimination against foreign participation. In fact, many Jordanian businesses seek foreign partners, which are perceived as the key to increased

competitiveness and easier entry into international markets. Jordan's efforts have combined to make Jordan's investment climate more welcoming, but some large U.S. investors have reported "hidden costs" when investing in Jordan due to bureaucracy, red tape, vague regulations, and conflicting jurisdictions. In the World Bank's (WB) 2010 Doing Business Report, Jordan was ranked 100 out of 183 countries for the ease of doing business, up four places, but with a ninth place ranking in the Arab world, lagged behind Saudi Arabia, Bahrain, Israel, the UAE, Qatar, Kuwait, Oman, Tunisia, and Yemen. Jordan received its best rankings for taxation and employment policies. Jordan received its worst rankings for obtaining credit, starting a business, and enforcing contracts. Jordan's 2009 Economic Freedom score is 65.4, making its economy the 51st freest in the 2009 index. Its score has increased by 1.3 points since 2008, reflecting an increase in business freedom, trade freedom and government size, and a decrease in freedom from corruption. It ranked sixth out of the 17 countries in the Middle East/North Africa region. As they would in other countries, investors should continue to execute due diligence in exploring investment opportunities and concluding purchases.

CONVERSION AND TRANSFER POLICIES

¶10. Jordan's liberal foreign exchange law entitles foreign investors to remit abroad, in a fully convertible foreign currency, foreign capital invested, including all returns, profits, and proceeds arising from the liquidation of investment projects. Non-Jordanian administrative and technical employees are permitted to transfer their salaries and compensation abroad.

¶11. The Jordanian Dinar (JD) is fully convertible for all commercial and capital transactions. The JD has been pegged to the U.S. dollar at an exchange rate of approximately 1 JD to USD $1.41 since 1995, and the Central Bank of Jordan (CBJ) is expected to continue this policy.

¶12. Licensed money-exchangers are supervised by the CBJ, the banking system's regulatory authority, but are free to set their own exchange rates depending on market conditions. Unlike banks, they do not pay the CBJ commissions for exchange transactions, giving them a competitive edge over banks.

¶13. Other foreign exchange regulations include:

-- Non-residents are allowed to open bank accounts in foreign currencies. These accounts are exempted from all transfer-related commission fees charged by the CBJ.

-- Banks are permitted to purchase an unlimited amount of foreign currency from their clients in exchange for JD on a forward basis. Banks are permitted to engage in reverse operations involving the selling of foreign currency in exchange for JD on a forward deal basis for the purpose of covering the value of imports.

-- There are no restrictions on the amount of foreign currency that residents may hold in bank accounts, and there are no ceilings on the amount residents are permitted to transfer abroad.

-- Banks do not require prior CBJ approval for the transfer of funds, including investment-related transfers, although stricter measures are now in place to monitor bank wire transfers to boost Jordan's ability to participate in the global fight against illicit financial flows.

EXPROPRIATION AND COMPENSATION

¶14. There are no known cases where the government has expropriated the private property of an investor without just compensation and a just court process.

DISPUTE SETTLEMENT

¶15. Under Jordanian law, foreign investors may seek third party arbitration or an internationally recognized settlement of disputes.

The Jordanian government recognizes decisions issued by the International Center for the Settlement of Investment Disputes (ICSID) of which it is a member. A small number of cases between investors and the Jordanian government have been brought before an ICSID tribunal in the last six years. Jordan is also a member of the New York Convention of 1958 on the recognition and enforcement of foreign arbitral awards. In cases where the government (or its agencies) is a party to the dispute, it generally prefers settlement in local courts if an out-of-court settlement is not forthcoming. Jordan abides by WTO dispute settlement mechanisms. Dispute settlement mechanisms under the FTA are consistent with WTO commitments. Article IX of the Bilateral Investment Treaty (BIT) establishes procedures for dispute settlement.

JORDAN'S LEGAL SYSTEM

¶16. Members of Jordan's parliament do not have the power to write legislation. According to Article 95 of Jordan's constitution, ten members of the lower or upper house can propose an idea for a law. If the majority of both houses agree, the idea is then submitted to the government for drafting. Draft laws may be prepared by the relevant government ministry, but in practice, the Legislative and Opinion Bureau of the Prime Ministry drafts most legislation with input from the appropriate bodies. Once drafted, laws are submitted to the cabinet and subsequently presented to the lower house of parliament for consideration. Once passed by the lower house, draft laws must be approved by the upper house. All laws require royal assent and must be published in the Official Gazette before they come into force. "Provisional" (also referred to as "Temporary") laws in Jordan are constitutionally permitted to be enacted by a decision of the cabinet when the parliament is not in session or has been dissolved. Provisional laws remain in force until parliament reconvenes and takes further action, and retain their validity for the time they were in force, even if they are later rejected by parliament. The relevant ministry drafts implementing regulations for approve legislation; regulations require cabinet approval.

¶17. According to the constitution, the judiciary is independent of other branches of the government. In some cases, it is susceptible to political pressure and interference by the executive branch. The judiciary does not have an independent budget, and appointments to the bench are not always done on the basis of merit.

¶18. The constitution classifies the judiciary into three categories: religious courts, special courts (e.g., Military Court, Customs Court, Income Tax Court), and regular courts. Verdicts rendered by the Jordanian judiciary are based on decisions made by a judge or a panel of judges.

¶19. General legal provisions are incorporated within the Civil Code, unless a separate, more specialized law governs the nature of the specific relationship. Commercial activities, including business contracts and financial papers, are governed by the

Commercial Code.

¶20. Various provisions in the Commercial Code, the Civil Code, and the Companies Law govern bankruptcy and insolvency. A temporary Bankruptcy Law came into force in 2002. A new bankruptcy law is expected to be presented to a new parliament once one is elected.

PERFORMANCE REQUIREMENTS/INCENTIVES

¶21. Following Jordan's accession to the WTO, the Trade-Related Investment Measures (TRIMS) agreement came into force. Investment and commercial laws do not contain any trade-restrictive investment measures and have generally been in compliance with TRIMS.

¶22. Investment incentives take the form of income tax and custom-duties exemptions, which are granted to both Jordanian and foreign investors.

¶23. The country is divided into three development areas: Zones A, B, and C. Investments in Zone C, the least developed areas of Jordan, receive the highest level of incentives. All agricultural, maritime transport and railway investments are classified as Zone C,

irrespective of location. Hotel and tourism-related projects set up along the Dead Sea coastal area, leisure and recreational compounds, and convention and exhibition centers receive Zone A designations. Qualifying Industrial Zones (QIZs) are zoned according to their geographical location, unless they apply for an exemption. The three-zone classification scheme does not apply to nature reserves and environmental protection areas, which are granted special consideration.

¶24. Specifically, the Investment Promotion Law allows for:

-- Exemptions from income and social services taxes of up to ten years for projects approved by the Investment Promotion Committee.

¶25. An additional year of these tax exemptions is granted to such projects each time they undergo expansion, modernization, or development resulting in a 25 percent increase in their production capacity for a maximum of four years.

-- Capital goods are exempt from duties and taxes if delivered within three years from the date of the investment promotion committee's approval. The committee may extend the three-year period, if necessary.

-- Imported spare parts related to a specific project are exempt from duties and taxes, provided that their value does not exceed 15 percent of the value of fixed assets requiring spare parts. They should be imported within ten years from a project's commencement date.

-- Capital goods used for expansion and modernization of a project are exempt from duties and taxes, provided they result in at least a 25 percent increase in production capacity.

-- Hotel and hospital projects receive exemptions from duties and taxes on furniture and supply purchases, which are required for modernization and renewal once every seven years.

-- Increases in the value of imported capital goods are exempt from duties and taxes if the increases result from higher freight charges or changes in the exchange rate.

-- Industrial projects are granted exemptions on income and social services taxes for a two-year period.

-- Industrial projects are granted property tax exemptions throughout their lifetime.

-- Industrial projects are granted partial or full exemptions from most municipality and planning fees.

¶26. To promote exports, all exporters are granted the following incentives:

-- Net profits generated from most export revenues are fully exempt from income tax. Exceptions include fertilizer, phosphate, and potash exports, in addition to exports governed by specific trade protocols and foreign debt repayment schemes. Under the WTO, the exemption is extended until the end of 2015.

-- Approximately 95 percent of foreign inputs used in the production of exports are exempt from custom duties and all additional import fees on a drawback basis.

RIGHT TO PRIVATE OWNERSHIP AND ESTABLISHMENT

¶27. In general, the laws on investment and property ownership permit domestic and foreign entities to establish and own businesses and engage in remunerative activities. However, activities relevant to military and national security are subject to different provisions and procedures.

¶28. Foreign companies may open regional and branch offices; branch offices may carry out full business activities, while regional offices may serve as liaisons between head offices and Jordanian or regional clients. The Ministry of Industry and Trade manages the government's policy on setting up regional and branch offices.

¶29. No foreign firm may import goods without appointing an agent registered in Jordan; the agent may be a branch office or a wholly owned subsidiary of the foreign firm, notwithstanding the limitations on foreign ownership in certain sectors. The agent's connection to the foreign company must be direct, without a sub-agent or intermediary. A Commercial Agents and Intermediaries Law governs the contract between foreign firms and commercial agents. It clearly delineates the distinction between commercial agency and distribution contract relationships. Private foreign entities, whether licensed under sole foreign ownership or as a joint venture, compete on an equal basis with local companies.

¶30. Foreign nationals and firms are permitted to own or lease property in Jordan for investment purposes and are allowed one residence for personal use, provided that their home country permits reciprocal property ownership rights for Jordanians. Property intended for investment should be developed within five years from the date of approval. Depending on the size and location of the property, the Lands and Surveys Department, its Director General, the Minister of Finance, or the cabinet are the authorities that approve foreign ownership of land and property. Foreign companies holding a majority share in a Jordanian company, as well as wholly-owned subsidiaries, automatically obtain national treatment with respect to ownership of land where the company's business objectives require (e.g., agriculture), or allow for, ownership of land or real estate.

PROTECTION OF PROPERTY RIGHTS

¶31. Interest in property (moveable and real) is recognized, enforced and recorded through reliable legal processes and registries. The legal system facilitates and protects the acquisition and disposition of all property rights.

¶32. Jordan has passed several new laws to comply with the FTA and meet international commitments in protection of intellectual property rights (IPR). Laws consistent with "Trade Related Aspects of Intellectual Property Rights" (TRIPS) now protect trade secrets, plant varieties, and semiconductor chip designs. The National Library, part of the Ministry of Culture, registers copyrights. Patents are registered with the Registrar of Patents and Trademarks at the Ministry of Industry and Trade. Jordan has signed the Patent Cooperation Treaty and the protocol relating to the Madrid Agreement Concerning the Registration of Marks, and amended patent and trademark laws in 2007 to enable pending ratification of the agreements. Jordan's domestic pharmaceutical industry generally abides by the new TRIPS-consistent Patent Law. Jordan acceded to the World Intellectual Property Organization (WIPO) treaties on copyrights (WCT) and performances and phonographs (WPPT), and has been developing updated laws for copyrights, trademark standards, and customs to meet international standards. Jordanian firms now seek joint ventures and licensing agreements with multinational partners.

¶33. Jordan's record on IPR enforcement has improved, but more effective enforcement mechanisms and legal procedures are still needed. As a result, the government's record on IPR protection remains mixed. A sizeable portion of videos and software sold in the marketplace continues to be pirated. Enforcement action against audio/video and software piracy is growing in frequency and improving in its targeting capability, resulting in the first jail sentence in 2007 for software piracy in Jordan. In 2009, 2,883 violations of Jordan's current copyright law were referred to the judiciary, which is a greater than 800% increase from 2008 and 2007 levels. Government committees are examining means to provide more comprehensive IPR protections, including amendments to current laws that would grant enforcement officers ex officio authority to seize pirated items and bring cases against violators, as well as more stringent enforcement of existing laws and the creation of an umbrella IPR agency to coordinate government policy and enforcement efforts.

TRANSPARENCY OF THE REGULATORY SYSTEM

¶34. The government is gradually implementing policies to improve competition and foster transparency. These reforms aim to change an existing system that can be influenced greatly by family affiliations and business ties. Although JIB has worked to streamline the process, red tape and opaque procedures still present problems for foreign and domestic investors. The arbitrary application of customs, tax, labor, health, and other laws or regulations, particularly at the local government level, have impeded investment.

¶35. Jordan's 2004 Competition Law (similar to the Antitrust Law in the U.S.) aims to improve the Jordanian economic environment and attract foreign investment by providing incentives for enterprises to improve their competitiveness, protect small and medium enterprises from restrictive anticompetitive practices, and provide consumers with high quality products at competitive prices. The Competition Directorate at the Ministry of Industry and Trade monitors market performance, conducts research, examines complaints, reports violators to the judicial system, and investigates cases referred by the courts. The Competition Directorate has settled 261 cases and inquiries since 2003, including 66 new cases in 2009.

¶36. In 2009, the government continued its strategy to promote e-government. The government has pledged to make its services, regulations, and procurement procedures more accessible and transparent via e-government. Implementation to date has been slow, but programs to register businesses and to view tax records, existing and pending legislation, as well as filing complaints and tracking traffic violations online are now available. A national call center to answer government service-related questions was launched in 2008.

EFFICIENT CAPITAL MARKETS AND PORTFOLIO INVESTMENT
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¶37. The three key capital market institutions are the regulator, the Jordan Securities Commission (JSC); the exchange, the Amman Stock Exchange (ASE); and the custodian for all transaction contracts, clearings and settlement, the Securities Depository Center (SDC). The government passed the most recent Securities Law in 2002, which brought the law more in line with international best practices. The ASE suffers from intermittent liquidity problems, which have meant that the bourse remains prone to speculative movements. The ASE's market capitalization has grown and shrunk rapidly and repeatedly since 2003. Since 2008, the worldwide financial crisis and economic slowdown reduced the market capitalization nearly 40 percent from its record high in June 2008 of USD $57 billion. The market continued with the downward trend in 2009 with its index losing a further 8.1%. Trading volume stood at USD $13.7 billion compared to USD $28.7 billion in 2008, a 52% drop. Market capitalization dropped to USD $31.9 billion compared to USD $35.9 at year end 2008, a decline of 11%.

Key Market Indicators (USD)

	2008	2009
Market Capitalization	35.8 billion	31.9 billion
Market Capitalization/GDP	477%	380%
Index	2758 points	2534 points
Number of shares traded	5 billion	6 billion
Trading Volume	28.7 billion	13.7 billion
Number of brokerage firms	70	92
Number of companies on ASE	261	272
Percent of Shares owned by		
- Jordanians	50.8%	51.2%
- Non-Jordanian Arabs	35.9%	33.3%
- Other Non-Jordanians	13.3%	15.5%

Source: Amman Stock Exchange

¶38. The CBJ, on behalf of the Ministry of Finance, conducts regular treasury bill auctions of differing maturities. A tap series of one-year treasury bills is held monthly and a tap series of three- and five-year treasury bonds is held bimonthly. The government issues development bonds, equivalent to treasury bonds, as necessary. All government securities are listed on the ASE, and ownership is registered at CBJ in a book entry format. Treasury bonds valued at USD $2.3 billion and treasury bills valued at USD

$2.39 billion were issued in 2009. The CBJ has introduced a primary dealer plan designed to increase liquidity in the secondary market. A Public Debt Law allows for an increase in the volume of bond and bill issuance by the treasury. Commercial banks hold securities for their clients in a sub-account format. Foreign investors are

welcome to participate in auctions and to purchase government securities through banks.

¶39. The corporate bond market remains underdeveloped, and continues to be overshadowed by traditional direct lending. One reason is the absence of proper mechanisms for corporate lending. However, some banks have started introducing new products and corporate bond issues. Corporate bonds valued at USD $417 million were issued in 2007 and 2008; but, the financial crises of late 2008 hindered any further issues in 2009.

¶40. Jordanian banks, due to strict regulations on lending, particularly mortgage lending, and limited integration with global financial markets, were reasonably buffered against the 2008 economic crisis. However, strong trade links with the region and rest of the world negatively affected the domestic economy. The worldwide slowdown impacted the Jordanian economy as a whole and banks in particular, translating into slower economic and trade activities along with an increase in non-performing assets. Jordan does not distinguish between "investment banks" and "commercial banks" and the CBJ has been encouraging bank mergers. Jordan has 23 banks in total, including commercial banks, Islamic banks, and foreign bank branches. Three new banks are expected to be licensed to begin operations in Jordan in 2010.

¶41. Banks offer loans, discounted bills, and overdraft facilities. In addition to long-term instruments, securitization, short-selling, and treasury stocks are being introduced in some banks. The CBJ permits banks to extend loans and credit facilities in foreign currency but only for exporting purposes. In such cases, it requires debt repayment to be in the denominated foreign currency. A number of banks have established mutual funds off-shore, due to Jordanian tax issues.

¶42. A banking law, which aims at improving the industry's efficiency, came into force in 2000. The law protects depositors' interests, diminishes money market risk, guards against the concentration of lending, and includes articles on electronic banking practices and money laundering. In addition, the CBJ set up a separate and independent Deposit Insurance Corporation (DIC) in late 2000 that insures deposits of up to JD 10,000 (USD $14,000). In 2008, in response to the global financial crisis, the Prime Minister pledged that the government will guarantee all bank deposits in Jordan - to unlimited amounts - until the end of 2009. In December 2009, this pledge was extended through the end of 2010. The DIC also acts as the liquidator of banks as directed by the CBJ. The CBJ established a credit bureau for bounced checks in 2001. The bureau requires banks to report the names of account holders with bounced checks. Following the report of one bounced check, the CBJ circulates the names of the account holders to all banks with instructions to withhold checkbooks and any other facilities for a period of time.

¶43. The CBJ issued a number of circulars in 2003-2005 to implement money-laundering regulations that are consistent with the recommendations of the Organization of Economic Cooperation and Development's (OECD) Financial Action Task Force. Jordan's parliament passed an anti-money laundering bill that became law in July 2007. The law criminalizes money laundering, and specifies that any money or proceeds gained from any felony offense or crimes stated in international agreements to which Jordan is a party are subject to the provisions of the law. The law was the legal basis for the creation of the Anti-Money Laundering Unit (AMLU), Jordan's Financial Intelligence Unit. Jordan has no known record of major money laundering incidents. A Middle East North Africa Financial Action Task Force (MENAFATF) review determined that Jordan is deficient on some key recommendations for combating money laundering and terrorist financing. The AMLU is working on addressing the MENAFATF recommendations.

¶44. There are a number of internationally recognized accounting and auditing firms in Jordan. The government's accounting and auditing

regulations are consistent with international standards and are internationally recognized.

POLITICAL VIOLENCE

¶45. Some incidents of political violence and terrorist activities have occurred in Jordan, including the shooting and wounding of six people in downtown Amman in July 2008, the stabbing of a tourist in downtown Amman in March 2008, the shooting to death of a tourist in downtown Amman in September 2006, the November 2005 hotel bombings in Amman, and the August 2005 rocket attack on a U.S. Navy ship in Aqaba. The hotel bombings targeted foreign business interests specific to the hotel industry. Other industries with foreign business interests have remained unaffected by political violence.

While Jordan enjoys political stability, events in the region, particularly in the West Bank and Gaza or Iraq, can trigger demonstrations that may include anti-U.S. hostility. The assassination of American diplomat Larry Foley outside his west Amman residence on October 28, 2002, was attributed to former Al Qaida in Iraq leader Abu Mus'ab Al-Zarqawi, who was killed in Iraq in June 2006.

¶46. The Government of Jordan is proactive in maintaining public security, containing demonstrations and preventing terrorist attacks, and has increased its efforts since the November 2005 hotel bombings. The potential for politically motivated violence, however, remains. Visitors should consult current State Department public announcements.

CORRUPTION

¶47. Corruption is a crime in Jordan. In September 2006, parliament approved a financial disclosure law requiring public office holders and specified government officials to declare their assets. Parliament also enacted an Anti-Corruption Law in 2006 that created a commission, reporting to the Prime Minister, to investigate allegations of corruption. The commission has yet to prosecute a case to completion. Some domestic NGOs and some international corruption watchdog groups have criticized Jordan's and the commission's ineffectiveness. Jordan's law defines corruption as any act that violates official duties and all acts related to favoritism and nepotism that could deprive others from their legitimate rights, as well as economic crimes and misuse of power. The General Intelligence Directorate (GID) also has a separate anti-corruption department that is responsible for combating bribery, extortion, and other similar crimes.

¶48. Influence peddling and a lack of transparency, however, been alleged in government procurement and dispute settlement. "Wasta," the use of family, business, and other personal connections to advance personal business interests, at the expense of others, is endemic and seen by many Jordanians as simply part of the culture and a part of doing business. In Transparency International's 2009 Corruption Perceptions Index, Jordan's rank was 49, ahead of several European Union member states.

BILATERAL TRADE/INVESTMENT AGREEMENTS

¶49. In 1996, the U.S. Congress established the "Qualifying Industrial Zone" (QIZ) initiative to support the Middle East peace process. Under this agreement, goods produced in the 13 designated QIZs in Jordan can be imported into the United States tariff and quota free if 35 percent of the product's content comes from the QIZ, Israel, and the West Bank/Gaza. Of that 35 percent, a minimum 11.7 percent must be added in the QIZ, eight percent in Israel, and 15.3 percent in a Jordanian QIZ, Israel, or the West Bank/Gaza. This makes investment in a QIZ particularly attractive to industries whose products are assessed with high tariffs when they are imported into the U.S. The QIZs have attracted over $987 million in capital investments, generated over $5.6 billion in exports to the U.S. between 2006 and 2009, and currently employ more than 33,000 workers, about one-quarter of whom are Jordanian. The bulk of QIZ exports continues to be garments.

¶50. The U.S.-Jordan FTA, which entered into force in 2001 and came into full effect in January 2010, does not supersede or eliminate the QIZ initiative. Whereas the QIZ agreement grants immediate duty- and quota-free access to the U.S. for goods produced in the QIZs that meet certain rules of origin, FTA rules of origin require 35 percent Jordanian content. The FTA agreement also incorporates labor, environment, and intellectual property rights provisions.

¶51. A Bilateral Investment Treaty between Jordan and the United States entered into force in 2003. The agreement provides reciprocal protection of Jordanian and U.S. individual and corporate investments.

¶52. While the U.S. remains one of Jordan's top trading partners, Jordan maintains an active trade relationship with neighboring countries, and has been actively pursuing enhanced trade arrangements globally. Jordan is a member of the Greater Arab Free Trade Area (GAFTA), which has been in force since 1998. The GAFTA reached full trade liberalization of goods in 2005 through full exemption of customs duties and charges for all 17 Arab members, with the exception of gradual reductions for Sudan and Yemen which are expected to benefit from full exemption by the end of 2010. Jordan has also signed several trade preference agreements and bilateral free trade agreements with Arab countries, including Egypt, Syria, Morocco, Tunisia, the UAE, Algeria, Lebanon, the

Palestinian Authority, Kuwait, Sudan, and Bahrain. The bilateral agreements are generally applied in parallel to the GAFTA, with the GAFTA often providing more trade preferences than most of the bilateral trade agreements (see www.mit.gov.jo for more information).

¶53. An economic association agreement between Jordan and the European Union (EU) entered into force in 2002 to establish free trade over a twelve-year period. This agreement calls for the free movement of capital, as well as cooperation on development and political issues. Jordan also signed a Free Trade Area Agreement in 2001 with the European Free Trade Association (EFTA) states (Iceland, Liechtenstein, Norway and Switzerland), which aims for complete trade liberalization by 2014.

¶54. In 2004, Jordan signed a Free Trade Agreement with Singapore. In addition to enhancing bilateral trade ties, the agreement aimed to create new export opportunities for Jordanian products worldwide through the possibility of diagonal accumulation of origin with countries that have concluded free trade agreements with both Jordan and Singapore. In the same year, Jordan completed the Agadir trade agreement with Egypt, Morocco, and Tunisia, and upgraded its trade agreement with Israel to take advantage of accumulation of content provisions in the EU's Pan-Euro-Mediterranean trade rules of origin. In 2009, Jordan signed a Free Trade Agreement with Canada, which could come into effect as early as April 2010. The FTA with Canada will eliminate all non-agricultural tariffs and most agricultural tariffs. A similar agreement with Turkey was also signed in 2009. The agreement with Turkey will come into effect gradually starting in 2011.

OPIC AND OTHER INVESTMENT INSURANCE PROGRAMS

¶55. Investments in Jordan are eligible for Overseas Private Investment Corporation (OPIC) insurance and private financing. All eligible projects require a minimum of 25 percent U.S. equity. In 2008 and 2009, OPIC made significant investments in Jordanian private equity ventures and in mortgage financing.

¶56. Jordan is a member of the Multilateral Investment Guarantee Agency (MIGA), a World Bank agency, which guarantees investment against non-commercial risks such as civil war, nationalization, policy changes, etc. The program covers investments in Jordan irrespective of the investor's nationality, in addition to covering Jordanian investments abroad.

¶57. Several European countries have official debt-for-equity swap programs that are open to investors of all nationalities.

LABOR

¶58. The rate of population growth (births minus deaths and factoring in migration) is about 2.5 percent a year, based on the most recent census in 2004. The 2009 population is estimated by the Department of Statistics at 5.98 million. 59.4 percent of the population is under the age of 30 and 37.1 percent is under the age of 15. In general, the labor force is well educated. Literacy rates approach 95.7 percent for men and 88.4 percent for women. Jordan has a labor force of about 1.8 million. In 2009, the Department of Statistics reported that unemployment was 12.9 percent, a slight increase over 2008's 12.7 percent.

¶59. Of the 1.8 million, there are an estimated 316,000 registered foreign workers, a number which has fallen since 2007. Unofficial indicators suggest that tens of thousands of foreign workers remain unregistered. With the exception of the approximately 25,000 that work in the QIZs as textile workers, most foreign workers work in unskilled sectors, such as construction, agriculture, and domestic service. The Ministry of Labor regulates foreign worker licensing, licensing fees, prohibited sectors, and employer liability. Among its responsibilities, the ministry approves the hiring of professional foreign workers by private businesses. Non-citizens are not permitted by the current law to join unions, although the Ministry of Industry and Trade maintains that such workers enjoy any benefits and protections that unions obtain. In 2008, amendments were drafted to allow full union membership for foreign workers but they did not pass parliament. The union and the Ministry of Labor have begun drafting a new amendment that would allow for membership but only under certain conditions, such as requiring five years of legal in-country work for full union membership. The textile union provides medical and legal services to foreign workers in textile factories, in addition to serving Jordanians. The union said it resolved 1449 individual worker-related complaints in 2009 a major decline from the 2,968 cases resolved in 2007.

¶60. Labor unions serve primarily as intermediaries between workers and the Ministry of Labor, and may engage in collective bargaining on behalf of workers. Currently, there are 17 recognized unions in Jordan, all members of the General Federation of Jordanian Trade Unions. Estimates put union membership at 10 percent of the labor force. In addition to the 17 unions, there are 40 professional associations active in Jordan, many of which have mandatory membership. While these associations occasionally take on characteristics of traditional unions, they more closely resemble political bodies. According to official figures, about 30 percent of the total labor force, including government workers, belongs to either a union or a professional association.

¶61. Article 28 of the Labor Law specifies the conditions under which an employer can discharge a worker without notice. Article 31 allows employers to lay off employees if economic or technical circumstances necessitate reorganization. The law does not require employers to include retirement plans in their employment package. However, if the employer agreed to provide retirement benefits when the worker was contracted, the employer must fulfill his/her commitment. The Social Security Law stipulates that if the employer has more than five employees, they must be enrolled in the national social security system. The Labor Law also addresses worker compensation and outlines compensatory categories for work-related injuries. Article 67 provides unpaid maternity leave for a maximum of one year for mothers working in firms employing 10 or more workers, and Article 70 requires full pay for 10 weeks of maternity leave. Article 71 provides for one hour per day of nursing leave within a year of the date of delivery. The law provides for 14 calendar days of annual leave for employees during the first five years with the employer, and 21 calendar days after five years of successive service. Article 65 entitles workers to 14 days of sick leave with full pay per year, which may be renewed for another 14 days at half pay if the worker is hospitalized. With two exceptions (the exclusion of foreigners from unions and the prohibition against forming new unions outside of the General Federation of Jordanian Trade Unions), the current law places Jordan in compliance with international and Arab labor agreements.

¶62. Since 2006, the Government of Jordan has been reforming its labor inspection system and in 2008 amended its labor law to expand coverage to domestic and agricultural workers, formalize a tripartite Labor Affairs Committee, increase fines for violations of

the labor law, and include sexual harassment provisions. Ministry of Labor inspections have identified problems at some QIZ factories regarding delayed payment of wages, length of overtime and physical abuse of workers. In 2008, the Better Work Jordan program was launched as a five-year joint project between the Ministry of Labor, the International Labor Organization (ILO) and the International Finance Corporation to improve labor conditions and standards and raise compliance levels through public reporting and technical assistance. Under the Ministry's more rigorous inspection regime, which included the hiring and training of additional inspectors in 2008 and 2009, allegations of forced labor continued to decrease in ¶2009. The Ministry of Labor is encouraging businesses in Jordan to adopt the Better Work Program and is considering making the program mandatory for factories. The U.S. Department of Labor's Bureau of International Labor Affairs (ILAB) included Jordan in its 2009 "List of Goods Produced by Child Labor or Forced Labor" pursuant to the Trafficking Victims Protection Reauthorization Acts of 2005 and 2008, indicating that ILAB had reason to believe that there were significant instances of forced labor present in Jordan's garments sector.

FOREIGN TRADE ZONES/FREE TRADE ZONES

¶63. As part of Jordan's efforts to foster economic development and enhance the investment climate, the government has created geographically demarcated, policy-favored commercial zones, including industrial estates, free zones, and special economic zones. The goal is to encourage "clustering" among related firms within an industry and linkages to other industries. Some of these zones overlap or have multiple designations.

¶64. The semi-governmental Jordan Industrial Estates Corporation (JIEC) currently owns five public industrial estates in Irbid, Karak, Aqaba, Amman, and Ma'an. There are also several privately-run industrial parks in Jordan, including al-Mushatta, al-Tajamouat, al-Dulayl, Cyber City, al-Qastal, Jordan Gateway, and al-Hallabat. These estates provide basic infrastructure networks for a wide variety of manufacturing activities, reducing the cost of utilities and providing cost-effective land and factory buildings. Investors in the estates also receive various exemptions, including a two-year exemption on income and social services taxes, total exemptions from building and land taxes, and exemptions or reductions on most municipalities' fees.

¶65. Jordan also has public "free zones" in Zarqa, Sahab, Karak, Karama, and Queen Alia Airport that are run by the publicly-owned Free Zone Corporation (FZC). Over 30 private free zones have also been designated, which are administered by private companies under the supervision of the FZC. Considered outside the Jordan Customs jurisdiction, the free zones provide a duty- and tax-free environment designed for the storage of goods transiting Jordan.

¶66. Both Jordanian and foreign investors are permitted to invest with few restrictions in trade, services, and industrial projects in free zones. Industrial projects must fulfill one of the following conditions:

-- New industries which depend on advanced technology;

-- Industries requiring locally available raw material and/or locally manufactured parts;

-- Industries that complement domestic industries;

-- Industries that enhance labor skills and promote technical know-how;

-- Industries providing consumer goods and that contribute to reducing market dependency on imported goods.

¶67. The following incentives are granted to investors in the designated free zones:

-- Profits are exempt from income and social services taxes for a period of twelve years, with the exception of profits generated from storage services that involve goods released to the domestic market.

-- Salaries and allowances payable to non-Jordanian employees are exempt from income and social services taxes.

-- Goods imported to and/or exported from free zones are exempt from import taxes and customs duties, with the exception of goods released to the domestic market.

-- Industrial goods manufactured in free zones enjoy partial customs duties exemption once released to the domestic market, depending on the proportion of the value of local inputs and locally incurred production costs.

-- Construction projects are exempt from licensing fees and urban property taxes.

-- Free transfer of capital invested in free zones, including profits.

¶68. The Development Zones Commission (DZC), a financially and administratively autonomous Jordanian governmental entity under the Development Zones Law, is responsible for creating, regulating and monitoring five Development Zones in Jordan. Established in 2008, DZC aims at increasing Jordan's foreign direct investment (FDI) through creating an advanced investment environment for economic activities in the zones. A DZC Board of Commissioners, alongside a one-stop-shop team administers, supervises and centrally approves investment related administrative matters, expediting all governmental services quickly and efficiently in one location, while providing a number of investment incentive and tax & customs exemptions. The five DZC development areas include the King Hussein Bin Talal Development Area (KHBTDA) in Mafraq that includes $200 million in infrastructure projects, the Ma'an Development Area, the Irbid Development Area (IDA), the Dead Sea Development Zone, and the Jabal Ajloun Development Zone. The commission plans to expand its coverage and open new development areas in other regions of the Kingdom. The Aqaba Special Economic Zone (ASEZ) was established in 2001 when the government converted the Aqaba port and surrounding area with streamlined bureaucracy, special tax exemptions, a flat five percent income tax, and facilitated customs handling. ASEZ has attracted projects valued at over $8 billion in recent years, mainly in hotel and property development.

FOREIGN DIRECT INVESTMENT STATISTICS

¶69. Jordan does not maintain official detailed statistics of FDI. Aggregate inflows tracked by the Central Bank give an indication of the overall volume, while registered capital and projects that benefit from the Investment Promotion Law give an indication of the break down of FDI by source and market segment.

¶70. Foreign Direct Investment Inflows (USD Million)

Period	Full Year	1-3Q
2009	not yet available	830
2008	1,957	1,775
2007	1,952	1,341
2006	3,271	2,842

Source: Central Bank of Jordan, Balance of Payments

¶71. The Jordan Investment Board approved projects worth about USD $2.35 billion in 2009. The highlight of foreign investment in Jordan for 2009 was the Yahoo-Maktoob deal. In August 2009, Yahoo acquired Jordan's Maktoob.com, the leading online community in the Arab world with more than 16.5 million users. Two other important projects approved in 2009 are joint ventures between Korean companies and Arab companies with a total investment of USD $988 million: one will establish an electronics plant and the other, a USD $700 million power generation plant.

¶72. New Projects under the Investment Promotion Law by Geographical Area (in USD Million)

	2009	2008	2007

Jordan	1,362	1,938	1,652
Foreign	991	790	1,480
Total	2,353	2,728	3,132

Source: Jordan Investment Board

¶73. New Registered Capital by Industry (in USD Million)

Industry	2009 (Jan-Nov)	2008	2007
Manufacturing	210	246	44
Percent Foreign	NA	28%	62%
Trade	102	150	124
Percent Foreign	NA	38%	35%
Agriculture	227	130	27
Percent Foreign	NA	18%	60%
Construction	28	81	167
Percent Foreign	NA	4%	2%
Services	132	221	184
Percent Foreign	NA	17%	30%
Total	699	828	545
Percent Foreign	NA	23%	33%

Source: Companies Controller Directorate at the Ministry of Industry and Trade, NA = data not available as of cable transmission.

¶74. Registered Capital Stock at Year-End by Country (in USD Million)

Country	2009	2008	2007
Iraq	497	739	687
Belgium	2	670	670
Kuwait	1,896	629	615
United Arab Emirates	177	470	410
Saudi Arabia	2,273	313	306
Bahrain	615	265	265
Egypt	82	228	212
Great Britain	56	161	161
Syria	121	102	92
Lebanon	1,674	100	94
United States	121	100	92
Netherlands	43	89	89
Libya	689	65	63
Switzerland	118	56	55
India	1	44	42
Palestinian Authority	359	39	35
China	0	37	32

Source: Securities Depository Center

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